BIG 5 HLABISA MUNICIPALITY

3/29/2018

DRAFT MEDIUM TERM REVENUE & EXPENDITURE FRAMEWORK

2018/19 TO 2020/21

Table of Content

Part 1 – Annual Budget

1.1	Mayor's Report	5
1.2	Council Resolutions	10
1.3	Executive Summary	11
1.4	Operating Revenue Framework	11
1.5	Operating Expenditure Framework	16
1.6	Capital Expenditure	20
1.7	Annual Budget Tables	20

Part 2 – Supporting Documentation

2.1	Overview of the Annual Budget Process	38
2.2	Overview of Alignment of Annual Budget with IDP	40
2.3	Measurable Performance Objectives and Indicators	42
2.4	Overview of Final Budget Related Polices	45
2.5	Overview of Budget Assumptions	46
2.6	Overview of Budget Funding	
2.6	Councillor and Employee Benefits	48
2.7	Legislation Compliance Status	49
2.8	Municipal manager's Quality Certificate	50
2.9	Other Budget Related Supporting Documents	51

Abbreviations and Acronyms

ASGISA	Accelerated and Shared Growth Initiative
BPC	Budget Planning Committee
CBD	Central Business District
CFO	Chief Financial Officer
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
EE	Employment Equity
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
HSRC	Human Science Research Council
IDP	Integrated Development Strategy
IT	Information Technology
km	Kilometer
KPA	Key Performance Area
KPI	Key Performance Indicator
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act Programme
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PTIS	Public Transport Infrastructure System
RG	Restructuring Grant
RSC	Regional Services Council
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

MAYOR'S REPORT

2018/19 DRAFT BUDGET PRESENTATION BY HIS WORSHIP THE MAYOR COUNCILLOR VF HLABISA OF BIG 5 HLABISA MUNICIPLALITY AT THE COUNCIL MEETING HELD IN THE MUNICIPAL COUNCIL CHAMBER ON THE 29 MARCH 2018

Councilors, Officials and members of the public I wish to present an overview of the Draft Budget and Medium Term Revenue and Expenditure Framework (MTREF) for 2018/19 financial year, for Big 5 Hlabisa Municipality. The Draft Budget and MTREF has been compiled in terms of the provisions of the Local Government: Municipal Finance Management Act, MFMA circular 86, as well as the MFMA Budget and Reporting Regulations.

The 2018 Draft Budget Review notes that more than twenty-one years of democracy have brought enduring achievements for South Africa, there is no room for complacency, we have to continue to work hard as Big 5 Hlabisa Municipality, together with all other organs of government to improve the lives and the wellbeing of our communities. To overcome apartheid's spatial legacy, the provision of housing and social infrastructure needs to be improved, and planning frameworks in the municipality strengthened. As Big 5 Hlabisa Municipality, our budget and operational processes need to respond accordingly to these needs. The budget policy framework for the next three years is designed to manage risk in a constrained fiscal environment, while building a foundation for economic growth which is in line with the implementation of the National Development Plan. Although South Africa's economy has expanded over the past years, the rate of growth has steadily declined.

The municipality is taking a conservative approach to discretionary expenditure with emphasis on cutting down on 'nice to haves' and adherence to cost containment measures as outlined in the MFMA Circular 86 issued by the Minister of Finance through National Treasury. Inflation, fuel increases and increase in unemployment rate will put a strain our country's economy. The impact of these, is a decline in GDP and a possible repeat of the so called economic recession that was experienced in 2008. This will consequently put the budget of Big 5 Hlabisa Municipality and all other entities in both public and private sector under pressure over the medium term, requiring the municipality to work more efficiently and to be more economical with its spending.

Compatriot, with the tabled Budget and MTREF, the municipality will endeavor to address the following management issues:

- The municipality is serious to act as a catalyst for economic growth through creating an environment for investment and other activities that foster job creation.
- The municipality is making further efforts in finding savings to eliminate waste and reprioritize spending toward key Local Economic Development and social objectives.
- The municipality's revenue and cash flow are expected to remain under pressure in 2018/2019, and so the municipality has adopted a conservative approach when projecting the expected revenue and cash receipt which is in line with the prudence concept of accounting and finance management.
- The municipality will also pay particular attention to manage revenue effectively and carefully evaluate all spending decisions.

The Draft Budget tabled today is in line with National priorities:

- Creation of decent employment opportunities
- Infrastructure development such as:
- Roads (Rural & Urban)
- Electricity
- Local economic development

I would like to request administration not to employ people without any reference to the level of staffing required to deliver effective service and to consider the percentage of staffing because of the Merger. Effect remuneration increases associated with bargaining council decisions and what is financially sustainable over the medium term. The municipality ought to focus on maximizing its contribution to job creation by:

- Ensuring that service delivery and capital projects use labour intensive methods wherever appropriate;
- Ensuring that service providers use labour intensive approaches;
- Supporting labour intensive LED projects;
- Participating fully in the Expanded Public Works Programme where an allocation of R3,924 million has been made in this budget; and
- Implementing interns programmes to provide young people with on the job training using R3,870 million Finance Management Grant provided by National Treasury per 2018/19 DORA (Division of Revenue Act) promulgation.

With reference to employment creation, provision is made for the following:

- Contractors that are appointed for Municipal Infrastructure Grant (MIG) projects, are encouraged to make use of local labour;
- R1,500 million from the equitable share is allocated for LED projects;
- Currently the Big 5 Hlabisa has appointed 5 financial interns.

When the rates, tariffs and other charges for the 2018/19 budget and MTREF were revised the Council took into account the labour (i.e. the wage agreements with unions) and other input costs of services provided by the municipality, the need to ensure financial sustainability, local economic conditions and the affordability of services, taking into consideration the municipality's indigent policy. The municipality also took into account relevant policy developments in the different sectors. The municipality is structuring the tariffs for utility services to encourage more efficient use of these services and to generate the resources required to fund the maintenance, renewal and expansion of the infrastructure required to provide the services. The budget depicts a total capital expenditure decrease of R664 thousand & a total operating expenditure decrease of R7,275 million, which is as follows:

Capital Budget (decrease) from	R 21,664 million to R 21,000 million,
Operating budget (increase) from	R 138, 824 million to R131, 549 million

Capital Budget

The following guidelines were applied in order to valuate and prioritize the capital projects:

- In line with the Council's IDP
- Carryover of previously approved projects from dissolved municipalities are still work in progress.

It must be noted compatriot that there are projects that were prioritized and started in 2017/18 financial year that are still under construction and will be funded in Draft 2018/19 Budget. It will be wise fellow councilors not to prioritize many projects for the next financial year until the existing projects are finalized.

The Capital Budget is funded as follows over the medium term:

Municipal Infrastructure Grant (MIG)	R21,000 000

Operating Budget

Operating Revenue Framework

The municipality is budgeting for an operating revenue of R131,965 million of which the detail revenue sources are reflected in the executive summary of the budget document.

The proposed tariff increases for the 2018/19 MTREF on the different revenue categories for the Big 5 Hlabisa Municipality are as follows:

Property Rates	4%
Solid Waste	4%
Sundry	4%

National Treasury in circular 86 of the MFMA encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation has however breached the upper limit of the 3 to 6 per cent target band. The municipal tariffs were increased by 4% this increase is within the limits of 6.4 per cent maximum projected inflation target.

Transfers and Grants has decreased by R11,469 million and is now 78% of the total operating Revenue. This ratio needs to be closely monitored as it continuously shows increase in our municipality's grant dependency. I implore administration together with oversight structures to explore other innovative ways to enhance revenue in order to maintain a reasonable balance between government grants and municipality's own generated revenue.

Operating Expenditure Framework

The municipality is budgeting for expenditure of R131,549 million of which the detail expenditure types are reflected in the executive summary

Major components of Operating Expenditure are:

- ✓ Employee related costs – representing 49.58% of the total operating budget expenditure. A salary increase of 7.5% is based on the consumer price index.
- ✓ Remuneration of Councilors – representing 5.6% of the total operating budget. The Municipality considered the DORA guideline on this line item. The remuneration of Councilors is determined by the Minister of Co-Operative Governance and Traditional Affairs, in accordance with the remuneration of Public Bearers Act (Act 20 of 1998).
- ✓ Depreciation and asset impairment – Provision for depreciation has been informed by the municipality's asset management policy.
- ✓ Contracted Services – As part of the compilation of the 2018/19 budget and MTREF, this group of expenditure was critically evaluated and operational efficiencies are enforced. This group of expenditure totals R10,755 million.
- ✓ Other expenditure – comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

Equitable Share Grant

In terms of the division of the revenue bill, as published in the government gazette of February 2018, the Council will receive the following amounts as it's equitable share grant from National Treasury, for the next three years:

2018/2019	-	R 94,296 million
2019/2020	-	R105,320 million
2020/2021	-	R114,832 million

The Equitable Share figures above are allocations as per DORA. The millions of rands being poured into our rural communities for various activities, is a further commendable effort by Council to show our people that we are serious in attending to their needs.

All current grants, rates rebates, free electricity and free refuse charges will remain in force to the benefit of those people, receiving such benefits.

I want to stress that citizens will mostly benefit if everyone is compassionate in ensuring that they excel in what they do. Management must manage effectively whilst Councilors play their oversight role effectively.

The citizens sympathy is determined by the extent to which municipal officials, business chambers and community organizations have a common understanding of our community's problems, challenges and opportunities to develop.

No bureaucracy rests indeed on their laurels if they know people are united in their efforts to improve living conditions for all. On the other hand, apathy or lack of interest of citizens creates a fertile breeding ground for poor service delivery, crumbling infrastructure, corruption and blatant disregard for good management practices.

Poor service delivery and poor control remain a serious challenge in most municipalities. At most of the municipalities, fruitless and wasteful expenditure continues to be an area of concern requiring serious

attention to manage and prevent. The aforementioned can be prevented by implementing proper monitoring systems to identify problems.

I therefore would like to encourage all key stakeholders in our community to focus on forming a partnership with Big 5 Hlabisa Municipality, especially on the field of Local Economic Development.

Councillors, I would like to take this opportunity to express my gratitude and appreciation to the following people:

- ✓ The Municipal Manager, Directors and staff of the various departments, for their inputs in the budget;
- ✓ The community in the both municipal areas for their support and co-operation, to make our municipality a pleasant area to stay in.
- ✓ Councillors for their inputs at the budget consultation meetings.
- ✓ Rate payers association
- ✓ And other stakeholders who will have an input further in the budget.

I note the Draft Medium Term Revenue and Expenditure Framework commencing in 2018/19 as detailed in the document with recommendations for final adoption by Council and Change Management Committees.

I thank you.

1.2 Council Resolutions

On 29 March 2018 the Council of Big 5 Hlabisa Municipality met in the Council Chamber of Municipality to Adopts the Draft Annual budget of the KZN276 municipality for the financial year 2018/19 and outer years. The Council approved the following resolutions:

1. Council acting in terms of section 16 of the Municipal Finance Management Act, (Act 56 of 2003) notes:

1.1. The Draft annual budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations as set out in the following tables:

1.1.1. Draft Budgeted Financial Performance (revenue and expenditure by standard Classification)

1.1.2. Draft Budgeted Financial Performance (revenue and expenditure by municipal vote)

1.1.3. Draft Budgeted Financial Performance (revenue by source and expenditure by type)

1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source

1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

1.2.1. Draft Budgeted Financial Position;

1.2.2. Draft Budgeted Cash Flows;

1.2.3. Cash backed reserves and accumulated surplus reconciliation;

1.2.4. Asset management; and

1.2.5. Basic service delivery measurement.

2. Council, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) Approved.

2.1. The tariffs for property rates,

2.2. The tariffs for solid waste services

3. Council, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approved effectively the Municipality's tariffs for other services, as set out in the tariffs Schedule.

1.3 EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's business and service delivery priorities were received as part of this year's planning and budget process. Where appropriate, funds were transferred from low to high priority programmes to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the

Municipality truly involves all citizens in the process of ensuring a people lead government.

The budget/IDP process occurred according to the budget timetable approved by Council during August 2017. This ensured compliance with the LG: MFMA and subsequent circulars in the preparation and approval of the multi-year budget/IDP.

The Budget and Medium-Term Revenue and Expenditure Framework (MTREF) was also prepared taking cognizance of the contents of the Local Government: Municipal Finance Management Act No 56 of 2003, Circular No. 86, and the LG: MFMA Budget Formats Guide received from National Treasury.

The main challenges experienced during the compilation of the 2018/2019 Budget and MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- Ageing roads and other municipal amenities;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies.

• High number of employees including the vacancies in some positions in the Municipality including Chief Financial Officer and Director Technical and planning positions being vacant.

• Affordability of capital projects-original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2018/19 budget and MTREF process.

The following budget principles and guidelines directly informed the compilation of the 2018/19 Budget and MTREF:

• The 2017/2018 Adjustments Budget priorities and targets for municipality, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2018/2019 annual budget;

• Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;

• Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of refuse services. In addition, tariffs need to address infrastructure backlogs;

• There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

• The challenges with the implementation of the MSCOA.

In view of the following table is a consolidated overview of the proposed 2018/2019 Budget and Medium-term Revenue and Expenditure Framework:

Consolidated Overview of the 2018/2019 Budget and MTREF

Details	**Adjustments Budget 2017/18 (R'000)**	**Budget Year 2018/2019(R'00**	**Budget Year 2019/2020 (R'000)**	**Budget Year 2021/2021**
Total operating revenue	139 110	131 965	143 805	156 630
Total operating Expenditure	138 824	131 549	143 778	156 600
(Surplus)/Deficit for the year	287	415	28	30
Total Capital Expenditure	21 000	21 000	21 357	22 344

Total operating revenue has decreased by -5,4 per cent or R7,145 million for the 2018/2019

financial year when compared to the 2017/2018 Adjustments Budget.

Total operating expenditure for the 2018/2019 financial year has been appropriated at R131,549 million and translates into a budgeted surplus of R415 thousand. When compared to the 2017/2018 Adjustments Budget, operational expenditure has decreased by 5.5 per cent in the 2018/2019 budget.

The capital budget of R21,000 million for 2018/2019 is 3.16 per cent lesser when compared to the 2017/2018 Adjustments Budget. The capital budget is mainly funded from Government grants over the MTREF (MIG).

Operating Revenue Framework

For Big 5 Hlabisa to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times, strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices must be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 70 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA)
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policy of the Municipality.

The following table is a summary of the 2018/2019 Budget and MTREF (classified by main revenue source):

KZN276 The New Big 5 False Bay - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	–	–	8 277	14 428	16 894	16 894	16 894	17 569	18 272	19 003
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	–	–	1 470	1 962	2 176	2 176	2 176	1 962	2 040	2 122
Service charges - other						–	–	–			
Rental of facilities and equipment				194	205	205	205	205	206	214	222
Interest earned - external investments				733	500	650	650	650	676	703	731
Interest earned - outstanding debtors					783	783	783	783	814	846	880
Dividends received						–	–	–	–	–	–
Fines, penalties and forfeits				534	1 500	600	600	600	1 500	1 560	1 622
Licences and permits				1 555	2 309	1 493	1 493	1 493	2 309	2 402	2 498
Agency services						–	–	–			
Transfers and subsidies				84 710	111 123	114 837	114 837	114 837	103 368	117 497	129 269
Other revenue	2	–	–	305	374	251	251	251	261	272	283
Gains on disposal of PPE						1 222	1 222	1 222	3 300	–	–
Total Revenue (excluding capital transfers and contributions)		**–**	**–**	**97 778**	**133 183**	**139 110**	**139 110**	**139 110**	**131 965**	**143 805**	**156 630**

In line with the formats prescribed by the Municipal Budget and reporting regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

KZN276 The New Big 5 False Bay - Table A4 Budgeted Financial Performance (revenue and expenditure

Description			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	Adjusted Budget	%	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source					
Property rates	16 894	4%	17 569	18 272	19 003
Service charges - electricity revenue	–		–	–	–
Service charges - water revenue	–		–	–	–
Service charges - sanitation revenue	–		–	–	–
Service charges - refuse revenue	2 176	-11%	1 962	2 040	2 122
Service charges - other	–				
Rental of facilities and equipment	205	0%	206	214	222
Interest earned - external investments	650	4%	676	703	731
Interest earned - outstanding debtors	783	4%	814	846	880
Dividends received	–		–	–	–
Fines, penalties and forfeits	600	60%	1 500	1 560	1 622
Licences and permits	1 493	35%	2 309	2 402	2 498
Agency services	–				
Transfers and subsidies	114 837	-11%	103 368	117 497	129 269
Other revenue	251	4%	261	272	283
Gains on disposal of PPE	1 222	63%	3 300	–	–
Total Revenue (excluding capital transfers and contributions)	**139 110**	**-5%**	**131 965**	**143 805**	**156 630**

Revenue generated from government grants forms a significant percentage of the revenue basket for the Municipality. In the 2017/18 financial year, revenue from rates total R17,569 million or 13.31 per cent of total revenue. This increases to R17,569 million, R18,272 million and R19, 003 million in the respective financial years of the MTREF and Property rates is the second largest revenue source.

The third largest sources of revenue are from Gains on disposal of PPE (Sale of Land) which is measured in terms of GRAP 23 (revenue recognition).

Operating grants and transfers totals R103,368 million in the 2018/19 financial year and increases to R117,497 and a continuous increase to R129,269 million by 2020/21.

2.1 Tariffs

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement, etc. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by their operational efficiency gains or service level reductions. Within this framework, the municipality has undertaken the tariff setting process relating to service charges as follows.

2.2 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No.51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations

came into effect on 1 July 2009 and prescribe the rate ratio to residential properties to be 0.25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17 (h) of the MPRA). In addition to this rebate, a further R45 000 reduction on the market value of a property will be granted in terms of the municipality's own Property Rates Policy;
- As per the Municipal Property Rates Act (MPRA) Section 93A transitional arrangement for public service infrastructure the municipality has taken into account that rates levied should be not more than 60 percent of the rate charged in 2017-18 Financial Year and the Property Rates policy provides an indication that these amendments have been taken into account
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate- able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2018/19 financial year based on a 4 per cent increase from 1 July 2018 is contained below:

BIG 5 HLABISA MUNICIPALITY

PROPOSED DRAFT TARIFF OF CHARGES FOR 2018/2019

	Description	2018-2019	
	RATES		
	Rates-Commecial		0.018851891
	Rates-Public Service Infrastructure		0.004248926
	Rates-Residential		0.016964120
	Rates-Agriculture		0.004248926
	Rates-SPL		0.021940701

Description	INCL VAT	VAT	EXCL VAT
SPORTFIELD HIRE			
Sportfield Hire(where entrance fees are not charged)			
Sportfield Hire	2 756.00	338.46	2 417.54
Refundable Sportfield deposit	500.00	-	500.00
Sportfield Hire(where entrance fees are charged)			
Sportfield Hire	4 409.60	541.53	3 868.07
Refundable Sportfield deposit	500.00	-	500.00
HALLS HIRE			
Halls Hire(where entrance fees are not charged)			
Halls Hire	1 040.00	127.72	912.28
Halls Hire per hour	130.01	15.97	114.04
Refundable Halls Deposit	500.00	-	500.00
Halls Hire(where entrance fees are charged)			
Halls Hire	1 560.00	191.58	1 368.42
Halls Hire per hour	206.70	25.38	181.32
Refundable Halls Deposit	500.00	-	500.00
Hall Hire - Sport & Recreational Associations			
Halls Hire	1 653.60	203.07	1 450.53
Refundable Halls Deposit	500.00	-	500.00
CERTIFICATES			
Rates Clearance Certificate	290.03	35.62	254.41
PHOTOCOPYING			
A4 Copy - Printed one side	1.00	0.12	0.88
A4 Copy - Printed Both sides	2.00	0.25	1.75
A3 Copy - Printed one side	1.50	0.18	1.32
A3 Copy - Printed Both sides	3.00	0.37	2.63
A4 Printer	2.00	0.25	1.75

BUILDING PLANS				
	Basic Fee	660.00	81.05	578.95
10m2 - 999m2 (or portion thereof)	Plus: Per square meterage portion	14.50	1.78	12.72
	Basic Fee	1 650.00	202.63	1 447.37
1000m2-4999 (or portion thereof)	Plus: Per square meterage portion	8.50	1.04	7.46
	Basic Fee	4 740.00	582.11	4 157.89
5000m2 and above	Plus: Per square meterage portion	6.50	0.80	5.70
NB: In the event of laped Building Plans, 50% of the above fees are payables.				
ENFORCEMENT FEES				
Sport Fine: Applicable to buildings or transgressions		5 000.00	-	5 000.00
Daily Rate for transgression until submission of application fornregulation		500.00	-	500.00
MISCELLENEOUS FEES				
Copy of valuation roll		270.40	33.21	237.19
Hiring of Municipal office space / Municipal boardroom per hour		330.73	40.62	290.11
PARK FEE				
Use of Hlabisa Park for (weddings, parties and other social gatherings)		1 240.19	152.30	1 087.89
CEMETRY TARIFFS		1 684.95	206.92	1 478.03
LICENCE APPLICATIONS			-	-
Business Licence Application		302.56	37.16	265.40
Dumping permits		304.85	37.44	267.41
			-	-
LIBRARY CONFERENCE ROOM / DISCUSSION R			-	-
Government Departments		531.19	65.23	465.96
Private sector		2 386.18	293.04	2 093.14
Hire of activity room		407.52	50.05	357.47
Tractor hire per hour		222.46	27.32	195.14
Tender document				
R 200,000.00 - R 999,999.00		260.00	31.93	228.07
R 1,000,000.00 - R 1,999,999.00		364.00	44.70	319.30
R 2,000,000.00 - R 2,999,999.99		468.00	57.47	410.53
R 3,000,000.00 or more		572.00	70.25	501.75
Hire of grader(per hour)		493.29	60.58	432.71

Municipal Property Rates Tariffs (Rate Randage)

2.3 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a surplus the comments from treasury were considered. It is widely accepted that the rendering of this service should at least break even, which is currently the case. The municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributor to this surplus is that this service is partially outsourced.

A 4 per cent increase in the waste removal tariff is proposed from 1 July 2018. Higher increases will not be viable in 2018/19 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

2.4 Rental of facilities and Equipment

The main contributor to this line item is hiring of halls hence the explanation is mainly focused to hall hire. In previous years, the dissolved municipalities has built a number of community halls. There was no formal monitoring system procedure in place for the hiring of those halls hence this will now be based in the finance department to insure that it is closely monitored. In the budget year 2018/19, the municipality has reviewed the policy on hiring halls. This will enable the municipality to increase its revenue attributable to rental of facilities.

2.5 Interest earned on external investments

The Budgeted revenue against this line item is projected to increase by 3.8 percent as per Table above. The municipality will invest funds received that will not be immediately used, all investments will be short term and will be called back within the financial year although there is high expenditure and commitments which may affect this line item the 2017/2018 revenue generated on this line item was the perfect baseline to budget for the 2018/2019 financial year, same strategy will be used to generate interest.

2.6 Interest earned on outstanding debtors

Interest earned-outstanding debtors reflect an increase of 3.8 percent in 2018-19 financial year and this increase is based on the current average interest charge in 2017-18 financial year, which is charged at 1.5 percent per month as stipulated in the municipality's Credit control policy.

2.7 Traffic Fines

The municipality has budgeted R1,500 million in Traffic Fines which has increased by R900 000 Thousand when compared to 2017/18. This estimation is based on engagements with the traffic department and plans that will be implemented to see this amount realised, and is also based on the current monthly billing averaged per month for the municipality, there are strategies that will be implemented during the financial year regarding this line item including bringing back the speed camera to assist in generating revenue.

2.8 Other Revenue

Municipality has taken over the services of firefighting and equipment used by the external service provider, this enable the municipality to general at least some revenue from the service from Airport owners (Federal

Airlines) and also farmers that might need the service from time to time, the anticipated revenue from this service is estimated to be R55 000.00 this line item includes sale of documents, Photocopies, Business Licences, Business Plans and other minor revenues

2.9 Licenses and Permits

The Municipality has budgeted for Licenses and permits of R2,309 million this is based on the current collection and revenue generated from this line item we are also expecting a high turnover on licensing and permit as the municipality has been making a progress in trying to replace all the things that will allow all services provided by this department to smoothly operate while trying to re build the burnt down building advertisement will take place to alert all nearby communities that the licencing department is up and running. providing the services. The Hluhluwe testing station is also operating although its only providing learners licenses it is generating revenue and will give a positive change in this line item.

3. Operating Expenditure Framework

The Municipality's expenditure framework for the 2018/19 budget and MTREF is informed by the following:

- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherences to the principle of no project plan no budget. If there is no business plan no funding allocation can be made.

The following table is a high level of the 2018/19 budget and MTREF (classified as per table A4 main type of operating expenditure):

KZN276 The New Big 5 False Bay - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Expenditure By Type											
Employee related costs	2	–	–	55 814	59 623	63 467	63 467	63 467	65 226	69 792	74 677
Remuneration of councillors				5 766	6 926	6 926	6 926	6 926	7 411	7 930	8 485
Debt impairment	3			9 499	6 000	6 000	6 000	6 000	5 000	5 500	6 000
Depreciation & asset impairment	2	–	–	10 269	7 500	7 500	7 500	7 500	8 100	8 600	9 000
Finance charges				366	120	700	700	700	220	260	300
Bulk purchases	2	–	–	–	–	–	–	–	–	–	–
Other materials	8			2 288	5 000	5 000	5 000	5 000	5 168	5 600	6 000
Contracted services		–	–	425	9 252	11 990	11 990	11 990	10 755	11 835	12 470
Transfers and subsidies		–	–	–	14 745	14 745	14 745	14 745	800	7 250	9 900
Other expenditure	4, 5	–	–	39 415	23 817	22 496	22 496	22 496	28 869	27 011	29 767
Loss on disposal of PPE											
Total Expenditure		**–**	**–**	**123 843**	**132 983**	**138 824**	**138 824**	**138 824**	**131 549**	**143 778**	**156 600**

Employee Related Cost

Employee related costs is the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage. The budgeted allocation for employee related costs for the 2018/19 financial year totals R65,226 million, which equals 49.58 per cent of the total expenditure.

The following has been taken into consideration on the determination of Employee related costs:

The increase on Basic salaries of 7.5% (6% plus 1.5 % for CPI) based on the signed three year collective SALGBC agreement which is still applicable during 2017/18 financial year. An annual increase of has been included in the two outer years of the MTREF.

There has been a high staff turnover rate from 2015/2016 emanating from the dissolved municipalities. This explains the 49.58 percent of the municipal employee related cost however the municipality only budgeted for a few critical positions i.e. the Chief Financial Officer and Director Technical services positions which is included in the 49.58 percent and will insure that no other than the critical positions will be filled.

The cost associated with the remuneration of councillors is determined by the Minister of Co- Operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998) and it was clearly mention in Circular 86 of the MFMA that was utilised when preparing the 2018/2019 Budget. The most recent proclamation in this regard has been considered in compiling the municipality's budget. It has been budgeted to be R7,411 Million for 2018/2019 financial year and the percentage increase that is coming up in December has also been considered in this budget.

The total employee related costs including councillors remuneration is budgeted to be 55.22% of the total expenditure. This is a bit higher than the norm range of 25-40% percent as per MFMA Circular No.71 This expenditure line item has been greatly affected by the resolutions taken because of the merger.

Debt Impairment

The provision of Debt impairment was determined based on an annual collection rate of 70 percent for Property rates and Refuse, 30% for Fines and the Debt Write-off Policy of the Municipality. For the 2018/19 financial year this amount equates to R5,000 million and with the minor increase for the two outer years. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Since 2015/16 Fines revenue for dissolved municipalities has been decreasing and for this Municipality one would expect that Debt impairment expenditure will also decrease, however due to the fact the municipality has not yet finalised the Indigent register the municipality has not been able to write off long outstanding debt relating to Consumer debtors. Thus there is a possibility that debt impairment budget includes Debt relating to Indigent customers. However the municipality has assigned employees to contact the long outstanding debtors and has been getting a positive feedback in this collection strategy, hence the line item has been decreased.

Depreciation

Provision for Depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the asset consumption, the 2017-18 Asset Register in not yet updated hence all the estimates for 2018/19 depreciation are based on the asset register for 2016-17 Audited Financial Statements. Budget appropriations in this regard total to R8,100 million for the 2018/19 financial year and equates to 6.2 percent of the total expenditure. There are municipal assets that are out of its useful life that will be disposed and taken out of the municipal asset register hence the depreciation for 2018/2019 has not increased much.

Finance Charges

Finance charges consist primarily of the repayment of interest on operating leases (cost of operational). Finance charges make up 0.09 percent of operating expenditure.

Other Material

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. This group of expenditure has been prioritised to ensure sustainability of the municipality's infrastructure & other community facilities. For 2018/19 the appropriation against this group of expenditure is 3.9 per cent of operating expenditure (R5,168 million)

MSCOA

The *m*SCOA Regulations apply to all municipalities and municipal entities with effect from 1 July 2017.

Technically, our municipality was garded as *m*SCOA compliant on 1 July 2017 as it was able to transact across all the *m*SCOA segments and its core system and all sub-systems must seamlessly integrate although some challenges are still in place i.e payroll system. Among the lessons learnt from the pilot municipalities, stems the recommendation that a municipality's point of departure for achieving system integration is that it prioritises the maximum integration potential of its core system so that it integrates with the Debtors main sub-system (including cash management and receipting), Payroll and the Assets Management sub-system modules. Furthermore, all municipalities must accommodate seamless integration of the Integrated Development Plan (IDP), Service Delivery and Budget Implementation Plan (SDBIP) and Budget facilities into the core financial system as these documents created a point of departure for the transactional environment come as at 1 July 2017.

The municipality currently converted version 6.1 to version 6.2 of MSCOA to ensure that the municipality is following all guide lines and circulars todate.

Contracted Services

Contracted services have been identified as a cost saving area for the municipality. As part of the compilation of the 2018/19 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced.

Transfers and Grants

This line item has decreased in 2017-18 from R14,745 to R800 thousand in 2018-19, reference is made to Division Of Revenue Bill the municipality was not allocated the Electrification Grant for the 2018/2019 financial year hence this line item only caters for Free Basic Electricity.

Other Expenditure

KZN276 The New Big 5 False Bay - Supporting Table SA1 Supportinging detail to 'Budgeted Financial Performance'

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
Other Expenditure By Type											
Collection costs											
Contributions to 'other' provisions											
Consultant fees				5 200	3 000	2 771	2 771	2 771	200	208	216
Audit fees				3 984	3 784	2 626	2 626	2 626	2 143	2 229	2 318
General expenses	3			16 915	5 717	5 717	5 717	5 717	11 375	8 830	10 803
Art & Culture				600	500	500	500	500	400	416	433
Sports and Recreation				530	430	470	470	470	500	520	541
Disaster Relief				600	700	500	500	500	400	416	433
Training				800	900	900	900	900	500	520	541
Insurance				750	750	750	750	750	1 070	1 100	1 200
Fuel and Oil				900	800	1 000	1 000	1 000	600	624	649
Subsistance and travel				850	650	500	500	500	600	624	649
Children and disability programme				–	–	–	–	–	350	364	379
Social Uplifment				500	300	300	300	300	400	416	433
Local Economic Development				1 300	2 300	2 300	2 300	2 300	1 500	1 560	1 622
Licences				400	200	200	200	200	1 100	1 144	1 190
Advertising				837	337	404	404	404	350	364	379
Stationery				750	650	450	450	450	981	1 020	1 061
Uniforms				–	–	–	–	–	560	582	606
Youth Support Programmes						–	–	–	700	728	757
Electricity				999	799	799	799	799	900	936	973
legal fees				800	400	650	650	650	650	676	703
Bank Charges				200	100	160	160	160	–	–	–
Group Life				–	–	–	–	–	–	–	–
Committee Expenses				2 500	1 500	1 500	1 500	1 500	2 940	3 058	3 180
HIV and Aids									400	416	433
IDP Road Shows									250	260	270
Total 'Other' Expenditure	1	–	–	39 415	23 817	22 496	22 496	22 496	28 869	27 011	29 767

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. A full breakdown has been provided in table above and there are items that are budgeted under general expenditure which includes the list below;

- Gender Programmes
- Senior Citizens programmes
- Waste Management
- HIV and Aids programme
- Environmental Affairs
- SOD Turning
- Tourism

- Town Planning
- And other expenditure

4. Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy, an amount of R800,000.00 is budgeted to provide for this service in the 2018/19 financial year.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

KZN276 The New Big 5 False Bay - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital expenditure - Vote											
Multi-year expenditure ***to be appropriated***	2										
Vote 1 - Executive & Council		–	–	–	–	–	–	–	100	150	100
Vote 2 - Budget & Treasury Office		–	–	–	–	–	–	–	550	600	550
Vote 3 - Corporate Services		–	–	–	–	–	–	–	–	–	–
Vote 4 - Community Services		–	–	13 664	13 664	13 664	13 664	13 664	14 350	14 650	14 350
Vote 5 - Planning Services		–	–	10 075	8 000	8 000	8 000	8 000	7 600	7 307	9 044
Vote 6 - Public Safety		–	–	–	–	–	–	–	1 300	1 600	1 300
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	**–**	**–**	**23 739**	**21 664**	**21 664**	**21 664**	**21 664**	**23 900**	**24 307**	**25 344**

For 2018/19 an amount of R23,900 million has been appropriated for the development of infrastructure & other working equipment's. In the outer years this amount totals R24,307 million, and R25,344 million, respectively for each of the financial years.

1.7 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2018/19 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the facing page

KZN276 The New Big 5 False Bay - Table A1 Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Financial Performance										
Property rates	–	–	8 277	14 428	16 894	16 894	16 894	17 569	18 272	19 003
Service charges	–	–	1 470	1 962	2 176	2 176	2 176	1 962	2 040	2 122
Investment revenue	–	–	733	500	650	650	650	676	703	731
Transfers recognised - operational	–	–	84 710	111 123	114 837	114 837	114 837	103 368	117 497	129 269
Other own revenue	–	–	2 588	5 170	4 554	4 554	4 554	8 390	5 293	5 505
Total Revenue (excluding capital transfers and contributions)	–	–	97 778	133 183	139 110	139 110	139 110	131 965	143 805	156 630
Employee costs	–	–	55 814	59 623	63 467	63 467	63 467	65 226	69 792	74 677
Remuneration of councillors	–	–	5 766	6 926	6 926	6 926	6 926	7 411	7 930	8 485
Depreciation & asset impairment	–	–	10 269	7 500	7 500	7 500	7 500	8 100	8 600	9 000
Finance charges	–	–	366	120	700	700	700	220	260	300
Materials and bulk purchases	–	–	2 288	5 000	5 000	5 000	5 000	5 168	5 600	6 000
Transfers and grants	–	–	–	14 745	14 745	14 745	14 745	800	7 250	9 900
Other expenditure	–	–	49 339	39 068	40 486	40 486	40 486	44 624	44 346	48 237
Total Expenditure	–	–	123 843	132 983	138 824	138 824	138 824	131 549	143 778	156 600
Surplus/(Deficit)	–	–	(26 065)	200	287	287	287	415	28	30
Transfers and subsidies - capital (monetary alloc	–	–	23 739	21 664	21 664	21 664	21 664	21 000	21 357	22 344
Contributions recognised - capital & contributed a	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	–	–	(2 326)	21 864	21 951	21 951	21 951	21 415	21 385	22 374
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	–	–	(2 326)	21 864	21 951	21 951	21 951	21 415	21 385	22 374
Capital expenditure & funds sources										
Capital expenditure	–	–	23 739	21 664	21 664	21 664	21 664	23 900	24 307	25 344
Transfers recognised - capital	–	–	23 739	21 664	21 664	21 664	21 664	21 000	21 357	22 344
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	–	–	–	–	–	2 900	2 950	3 000
Total sources of capital funds	–	–	23 739	21 664	21 664	21 664	21 664	23 900	24 307	25 344
Financial position										
Total current assets	–	–	32 742	45 405	36 205	36 205	36 205	38 506	43 118	48 319
Total non current assets	–	–	268 162	322 702	322 702	322 702	322 702	335 610	349 034	362 996
Total current liabilities	–	–	49 663	16 779	12 829	12 829	12 829	12 960	11 000	9 000
Total non current liabilities	–	–	9 333	5 000	5 000	5 000	5 000	5 500	6 000	7 000
Community wealth/Equity	–	–	241 909	346 328	341 078	341 078	341 078	355 656	375 152	395 315
Cash flows										
Net cash from (used) operating	–	–	19 665	28 327	22 533	22 533	22 533	21 492	27 453	29 021
Net cash from (used) investing	–	–	(25 019)	(21 664)	(23 489)	(23 489)	(23 489)	(20 600)	(24 307)	(25 344)
Net cash from (used) financing	–	–	(541)	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	–	–	1 927	7 166	966	966	966	1 858	5 003	8 680
Cash backing/surplus reconciliation										
Cash and investments available	–	–	1 927	7 166	966	966	966	1 858	5 003	8 680
Application of cash and investments	–	–	(4 300)	(8 034)	(23 347)	(23 347)	(23 347)	(11 146)	(9 537)	(10 105)
Balance - surplus (shortfall)	–	–	6 226	15 200	24 313	24 313	24 313	13 004	14 540	18 785
Asset management										
Asset register summary (WDV)	–	–	267 517	320 802	320 802	320 802		335 610	349 034	362 996
Depreciation	–	–	10 269	7 500	7 500	7 500		8 100	8 600	9 000
Renewal of Existing Assets	–	–	6 000	6 500	6 500	6 500		5 300	6 150	6 350
Repairs and Maintenance	–	–	2 288	5 378	5 378	5 378		5 572	6 033	6 463
Free services										
Cost of Free Basic Services provided	–	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	–	–	618	648	648	648	693	693	721	750
Households below minimum service level										
Water:	–	–	–	0	0	0	0	0	0	0
Sanitation/sewerage:	–	–	–	0	0	0	0	0	0	0
Energy:	–	–	–	0	0	0	0	0	0	0
Refuse:	–	–	–	9	9	9	9	9	9	9

Explanatory notes to MBRR Table A1 – Draft Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

2. The table provides an overview of the amounts noted by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF

b. Capital expenditure is balanced by capital funding sources, of which

- Transfers recognised is reflected on the Financial Performance Budget;
- Borrowing is incorporated in the net cash from financing on the Cash Flow Budget

4. The Cash backing/surplus reconciliation shows that in this financial year the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the new municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.

5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the new municipality to continue make progress in addressing service delivery backlogs.

KZN276 The New Big 5 False Bay - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue - Functional										
Governance and administration		–	–	**95 959**	**106 249**	**116 497**	**116 497**	**121 437**	**132 374**	**141 669**
Executive and council		–	–	83 129	86 622	93 012	93 012	98 346	107 280	113 571
Finance and administration		–	–	12 830	19 627	23 485	23 485	23 091	25 094	28 098
Internal audit		–	–	–	–	–	–	–	–	–
Community and public safety		–	–	**4 253**	**8 704**	**4 317**	**4 317**	**6 668**	**6 935**	**10 312**
Community and social services		–	–	2 173	2 165	2 184	2 184	2 817	2 930	3 547
Sport and recreation		–	–	2	2 675	–	–	–	–	–
Public safety		–	–	2 077	3 864	2 133	2 133	3 851	4 005	6 765
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		–	–	**19 835**	**35 791**	**35 733**	**35 733**	**21 072**	**21 915**	**22 896**
Planning and development		–	–	19 835	21 664	21 664	21 664	21 000	21 840	22 809
Road transport		–	–	–	14 127	14 069	14 069	72	75	87
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		–	–	**1 470**	**4 103**	**4 227**	**4 227**	**3 788**	**3 939**	**4 097**
Energy sources		–	–	–	–	–	–	–	–	–
Water management		–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–
Waste management		–	–	1 470	4 103	4 227	4 227	3 788	3 939	4 097
Other	4	–	–	–	–	–	–	–	–	–
Total Revenue - Functional	2	–	–	**121 517**	**154 847**	**160 774**	**160 774**	**152 965**	**165 162**	**178 974**
Expenditure - Functional										
Governance and administration		–	–	**73 334**	**76 744**	**83 906**	**83 906**	**64 339**	**68 843**	**75 116**
Executive and council		–	–	33 185	32 882	35 620	35 620	32 189	34 442	36 853
Finance and administration		–	–	40 148	43 862	48 286	48 286	32 151	34 401	38 263
Internal audit		–	–	–	–	–	–	–	–	–
Community and public safety		–	–	**22 722**	**20 615**	**20 615**	**20 615**	**33 672**	**35 785**	**38 014**
Community and social services		–	–	13 819	12 271	12 271	12 271	19 088	20 181	21 317
Sport and recreation		–	–	20	–	–	–	–	–	–
Public safety		–	–	8 883	8 344	8 344	8 344	14 584	15 605	16 697
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		–	–	**26 317**	**31 613**	**30 292**	**30 292**	**25 733**	**30 798**	**34 534**
Planning and development		–	–	23 811	4 975	4 975	4 975	5 527	5 914	6 328
Road transport		–	–	2 506	26 638	25 317	25 317	20 206	24 884	28 206
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		–	–	**1 470**	**4 011**	**4 011**	**4 011**	**7 805**	**8 351**	**8 936**
Energy sources		–	–	–	–	–	–	–	–	–
Water management		–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–
Waste management		–	–	1 470	4 011	4 011	4 011	7 805	8 351	8 936
Other	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Functional	3	–	–	**123 843**	**132 983**	**138 824**	**138 824**	**131 549**	**143 778**	**156 600**
Surplus/(Deficit) for the year		–	–	**(2 326)**	**21 864**	**21 951**	**21 951**	**21 415**	**21 385**	**22 374**

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile "whole of government" reports.

2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

3. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

KZN276 The New Big 5 False Bay - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue by Vote	1									
Vote 1 - Executive & Council		–	–	83 129	86 623	93 012	93 012	98 346	107 280	113 571
Vote 2 - Budget & Treasury Office		–	–	12 809	19 605	23 463	23 463	23 069	23 991	25 951
Vote 3 - Corporate Services		–	–	21	22	22	22	22	1 103	2 147
Vote 4 - Community Servives		–	–	2 176	4 840	2 184	2 184	2 817	2 930	3 547
Vote 5 - Planning Services		–	–	21 305	39 894	39 960	39 960	24 860	25 854	26 993
Vote 6 - Public Safety		–	–	2 077	3 864	2 133	2 133	3 851	4 005	6 765
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	**–**	**–**	**121 517**	**154 847**	**160 774**	**160 774**	**152 965**	**165 162**	**178 974**
Expenditure by Vote ***to be appropriated***	1									
Vote 1 - Executive & Council		–	–	33 185	32 882	35 620	35 620	32 189	34 442	36 853
Vote 2 - Budget & Treasury Office		–	–	21 572	24 933	30 122	30 122	14 580	15 600	18 692
Vote 3 - Corporate Services		–	–	18 576	14 320	18 164	18 164	17 571	18 801	19 571
Vote 4 - Community Servives		–	–	13 839	16 880	12 271	12 271	19 088	20 181	21 317
Vote 5 - Planning Services		–	–	27 787	35 624	34 303	34 303	33 538	39 149	43 470
Vote 6 - Public Safety		–	–	8 883	8 344	8 344	8 344	14 584	15 605	16 697
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Expenditure by Vote	2	**–**	**–**	**123 843**	**132 983**	**138 824**	**138 824**	**131 549**	**143 778**	**156 600**
Surplus/(Deficit) for the year	2	**–**	**–**	**(2 326)**	**21 864**	**21 951**	**21 951**	**21 415**	**21 385**	**22 374**

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

KZN276 The New Big 5 False Bay - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	–	–	8 277	14 428	16 894	16 894	16 894	17 569	18 272	19 003
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	–	–	1 470	1 962	2 176	2 176	2 176	1 962	2 040	2 122
Service charges - other						–	–	–			
Rental of facilities and equipment				194	205	205	205	205	206	214	222
Interest earned - external investments				733	500	650	650	650	676	703	731
Interest earned - outstanding debtors					783	783	783	783	814	846	880
Dividends received						–	–	–	–	–	–
Fines, penalties and forfeits				534	1 500	600	600	600	1 500	1 560	1 622
Licences and permits				1 555	2 309	1 493	1 493	1 493	2 309	2 402	2 498
Agency services						–	–	–			
Transfers and subsidies				84 710	111 123	114 837	114 837	114 837	103 368	117 497	129 269
Other revenue	2	–	–	305	374	251	251	251	261	272	283
Gains on disposal of PPE						1 222	1 222	1 222	3 300	–	–
Total Revenue (excluding capital transfers and contributions)		**–**	**–**	**97 778**	**133 183**	**139 110**	**139 110**	**139 110**	**131 965**	**143 805**	**156 630**
Expenditure By Type											
Employee related costs	2	–	–	55 814	59 623	63 467	63 467	63 467	65 226	69 792	74 677
Remuneration of councillors				5 766	6 926	6 926	6 926	6 926	7 411	7 930	8 485
Debt impairment	3			9 499	6 000	6 000	6 000	6 000	5 000	5 500	6 000
Depreciation & asset impairment	2	–	–	10 269	7 500	7 500	7 500	7 500	8 100	8 600	9 000
Finance charges				366	120	700	700	700	220	260	300
Bulk purchases	2	–	–	–	–	–	–	–	–	–	–
Other materials	8			2 288	5 000	5 000	5 000	5 000	5 168	5 600	6 000
Contracted services		–	–	425	9 252	11 990	11 990	11 990	10 755	11 835	12 470
Transfers and subsidies		–	–	–	14 745	14 745	14 745	14 745	800	7 250	9 900
Other expenditure	4, 5	–	–	39 415	23 817	22 496	22 496	22 496	28 869	27 011	29 767
Loss on disposal of PPE											
Total Expenditure		**–**	**–**	**123 843**	**132 983**	**138 824**	**138 824**	**138 824**	**131 549**	**143 778**	**156 600**
Surplus/(Deficit)		**–**	**–**	**(26 065)**	**200**	**287**	**287**	**287**	**415**	**28**	**30**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)				23 739	21 664	21 664	21 664	21 664	21 000	21 357	22 344
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		**–**	**–**	**(2 326)**	**21 864**	**21 951**	**21 951**	**21 951**	**21 415**	**21 385**	**22 374**
Taxation											
Surplus/(Deficit) after taxation		**–**	**–**	**(2 326)**	**21 864**	**21 951**	**21 951**	**21 951**	**21 415**	**21 385**	**22 374**
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		**–**	**–**	**(2 326)**	**21 864**	**21 951**	**21 951**	**21 951**	**21 415**	**21 385**	**22 374**
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		**–**	**–**	**(2 326)**	**21 864**	**21 951**	**21 951**	**21 951**	**21 415**	**21 385**	**22 374**

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total operational revenue is R131,965 million in 2018/19 and increases to R143,805 million by 2019/20.

2. Revenue to be generated from property rates is R16,894 million in the 2017/18 financial year and increases to R17,569 million by 2018/19 which represents 13 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality.

3. Services charges relating to refuse removal constitutes the component of the revenue basket of the municipality totalling R2,176 million for the 2017/18 financial year and decreasing to R1, 962 million by 2018/19. The 2018/19 financial year services charges amount to 1.5 per cent of the total revenue base.

4. Transfers recognised – operating includes the local government Equitable share and other operating grants from National and Provincial Government.

5. Employee related costs is the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage. This expenditure line item has been greatly affected by the resolutions taken as a result of the merger.

KZN276 The New Big 5 False Bay - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital expenditure - Vote											
Multi-year expenditure *to be appropriated*	2										
Vote 1 - Executive & Council		–	–	–	–	–	–	–	100	150	100
Vote 2 - Budget & Treasury Office		–	–	–	–	–	–	–	550	600	550
Vote 3 - Corporate Services		–	–	–	–	–	–	–	–	–	–
Vote 4 - Community Services		–	–	13 664	13 664	13 664	13 664	13 664	14 350	14 650	14 350
Vote 5 - Planning Services		–	–	10 075	8 000	8 000	8 000	8 000	7 600	7 307	9 044
Vote 6 - Public Safety		–	–	–	–	–	–	–	1 300	1 600	1 300
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	**–**	**–**	**23 739**	**21 664**	**21 664**	**21 664**	**21 664**	**23 900**	**24 307**	**25 344**
Single-year expenditure *to be appropriated*	2										
Vote 1 - Executive & Council		–	–	–	–	–	–	–	–	–	–
Vote 2 - Budget & Treasury Office		–	–	–	–	–	–	–	–	–	–
Vote 3 - Corporate Services		–	–	–	–	–	–	–	–	–	–
Vote 4 - Community Services		–	–	–	–	–	–	–	–	–	–
Vote 5 - Planning Services		–	–	–	–	–	–	–	–	–	–
Vote 6 - Public Safety		–	–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Capital Expenditure - Vote		**–**	**–**	**23 739**	**21 664**	**21 664**	**21 664**	**21 664**	**23 900**	**24 307**	**25 344**
Capital Expenditure - Functional											
Governance and administration		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**650**	**750**	**650**
Executive and council									100	150	100
Finance and administration									550	600	550
Internal audit											
Community and public safety		**–**	**–**	**13 664**	**13 664**	**13 664**	**13 664**	**13 664**	**15 650**	**16 250**	**15 650**
Community and social services				7 664	7 664	7 664	7 664	7 664	8 114	8 214	8 114
Sport and recreation				6 000	6 000	6 000	6 000	6 000	6 236	6 436	6 236
Public safety					–				1 300	1 600	1 300
Housing											
Health											
Economic and environmental services		**–**	**–**	**10 075**	**8 000**	**8 000**	**8 000**	**8 000**	**7 600**	**7 307**	**9 044**
Planning and development				4 075	2 000	2 000	2 000	2 000	2 600	2 800	2 600
Road transport				6 000	6 000	6 000	6 000	6 000	5 000	4 507	6 444
Environmental protection											
Trading services		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Energy sources											
Water management											
Waste water management											
Waste management											
Other											
Total Capital Expenditure - Functional	3	**–**	**–**	**23 739**	**21 664**	**21 664**	**21 664**	**21 664**	**23 900**	**24 307**	**25 344**
Funded by:											
National Government				23 739	21 664	21 664	21 664	21 664	21 000	21 357	22 344
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	**–**	**–**	**23 739**	**21 664**	**21 664**	**21 664**	**21 664**	**21 000**	**21 357**	**22 344**
Public contributions & donations	5										
Borrowing	6										
Internally generated funds									2 900	2 950	3 000
Total Capital Funding	7	**–**	**–**	**23 739**	**21 664**	**21 664**	**21 664**	**21 664**	**23 900**	**24 307**	**25 344**

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.

3. Single-year capital expenditure has been appropriated at R23,900 million for the 2018/19 financial year and slightly increasing over the MTREF at levels of R24,307 million and R25,344 million respectively for the two outer years.

4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

KZN276 The New Big 5 False Bay - Table A6 Budgeted Financial Position

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
ASSETS											
Current assets											
Cash				1 927	7 166	966	966	966	1 858	5 003	8 680
Call investment deposits	1	–	–	–	–	–	–	–	–	–	–
Consumer debtors	1	–	–	4 903	36 932	33 932	33 932	33 932	35 289	36 701	38 169
Other debtors				25 742	401	401	401	401	417	434	451
Current portion of long-term receivables				170	903	903	903	903	939	977	1 016
Inventory	2			–	3	3	3	3	3	3	3
Total current assets		**–**	**–**	**32 742**	**45 405**	**36 205**	**36 205**	**36 205**	**38 506**	**43 118**	**48 319**
Non current assets											
Long-term receivables											
Investments											
Investment property				293	25 809	27 709	27 709	27 709	28 817	29 970	31 169
Investment in Associate											
Property, plant and equipment	3	–	–	267 517	294 293	294 293	294 293	294 293	306 065	318 307	331 039
Agricultural											
Biological											
Intangible				338	700	700	700	700	728	757	787
Other non-current assets				14	1 900	–	–	–			
Total non current assets		**–**	**–**	**268 162**	**322 702**	**322 702**	**322 702**	**322 702**	**335 610**	**349 034**	**362 996**
TOTAL ASSETS		**–**	**–**	**300 905**	**368 107**	**358 907**	**358 907**	**358 907**	**374 116**	**392 152**	**411 315**
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	–	–	19	–	–	–	–	–	–	–
Consumer deposits				32 023							
Trade and other payables	4	–	–	17 295	16 779	12 829	12 829	12 829	12 960	11 000	9 000
Provisions				325							
Total current liabilities		**–**	**–**	**49 663**	**16 779**	**12 829**	**12 829**	**12 829**	**12 960**	**11 000**	**9 000**
Non current liabilities											
Borrowing		–	–	202	–	–	–	–	–	–	–
Provisions		–	–	9 131	5 000	5 000	5 000	5 000	5 500	6 000	7 000
Total non current liabilities		**–**	**–**	**9 333**	**5 000**	**5 000**	**5 000**	**5 000**	**5 500**	**6 000**	**7 000**
TOTAL LIABILITIES		**–**	**–**	**58 996**	**21 779**	**17 829**	**17 829**	**17 829**	**18 460**	**17 000**	**16 000**
NET ASSETS	5	**–**	**–**	**241 909**	**346 328**	**341 078**	**341 078**	**341 078**	**355 656**	**375 152**	**395 315**
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)				241 909	346 328	341 078	341 078	341 078	355 656	375 152	395 315
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	**–**	**–**	**241 909**	**346 328**	**341 078**	**341 078**	**341 078**	**355 656**	**375 152**	**395 315**

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good fiscal management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table A6 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:

- Consumer debtors;
- Property, plant and equipment;
- Trade and other payables;
- Provisions non-current;
- Changes in net assets; and
- Reserves

4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

KZN276 The New Big 5 False Bay - Table A7 Budgeted Cash Flows

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates				6 320	10 100	11 826	11 826	11 826	12 298	12 790	13 302
Service charges				524	1 373	1 523	1 523	1 523	1 373	1 428	1 485
Other revenue				1 848	6 050	10 600	10 600	10 600	3 226	3 355	3 489
Government - operating	1			84 710	111 123	114 659	114 659	114 659	103 368	117 497	129 269
Government - capital	1			23 739	21 664	21 664	21 664	21 664	21 000	21 357	22 344
Interest				733	500	650	650	650	676	703	731
Dividends									–	–	–
Payments											
Suppliers and employees				(97 636)	(107 618)	(117 303)	(117 303)	(117 303)	(119 429)	(122 168)	(131 400)
Finance charges				(148)	(120)	(700)	(700)	(700)	(220)	(260)	(300)
Transfers and Grants	1			(425)	(14 745)	(20 386)	(20 386)	(20 386)	(800)	(7 250)	(9 900)
NET CASH FROM/(USED) OPERATING ACTIVITIES		–	–	**19 665**	**28 327**	**22 533**	**22 533**	**22 533**	**21 492**	**27 453**	**29 021**
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE									3 300	–	–
Decrease (Increase) in non-current debtors									–	–	–
Decrease (increase) other non-current receivables				(1 192)					–	–	–
Decrease (increase) in non-current investments				(88)					–	–	–
Payments											
Capital assets				(23 739)	(21 664)	(23 489)	(23 489)	(23 489)	(23 900)	(24 307)	(25 344)
NET CASH FROM/(USED) INVESTING ACTIVITIES		–	–	**(25 019)**	**(21 664)**	**(23 489)**	**(23 489)**	**(23 489)**	**(20 600)**	**(24 307)**	**(25 344)**
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									–	–	–
Borrowing long term/refinancing									–	–	–
Increase (decrease) in consumer deposits									–	–	–
Payments											
Repayment of borrowing				(541)					–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	–	**(541)**	–	–	–	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD		–	–	**(5 895)**	**6 663**	**(956)**	**(956)**	**(956)**	**892**	**3 146**	**3 677**
Cash/cash equivalents at the year begin:	2			**7 821**	**503**	**1 922**	**1 922**	**1 922**	**966**	**1 858**	**5 003**
Cash/cash equivalents at the year end:	2	–	–	**1 927**	**7 166**	**966**	**966**	**966**	**1 858**	**5 003**	**8 680**

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.

2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

Collection Rate

The Property Rates and Service Charges are at 70% collection rate this is mainly based on the 2017/2018 financial year's collection rate.

Traffic fines collection is estimated to be 30% based on the past two municipalities performance. The municipality is using the revenue strategy to collect the outstanding fines including the past debts.

Other Revenue

An additional amount of R3,3 million has been budgeted for Capital gains on disposal of PPE this income is anticipated on Sale of Land, other minor revenues are also budgeted as detailed in table SA1.

Suppliers and Employees

The Municipality has noted that the employee related cost is very high hence taken steps to only fill the critical vacant posts and resulted to a slight decrease on employee related costs.

There will be a close monitoring on spending patterns to reduce outflow of cash to suppliers and cost cutting measures are being implemented to reduce current obligations and pay outstanding creditors inherited from merged municipalities.

The municipality is aware of the cash flow challenges and is committed to try to partially settle all long outstanding creditors even though this will be a long process and will also affect the outer years.

The full year forecast amount reflected in Table A7 takes into account the full budget for 2017/2018 financial year and the creditors mentioned above. This was done to ensure that minimal creditors are carried forward to 2018/2019 financial year.

3. The noted 2018/19 MTREF provide for a net increase in cash of R1,858 million for the 2018/19 financial year resulting in an overall projected positive cash position, and it must also be considered that the municipality did not budget for Vat as additional income, this means there's positive contribution to the funding of the municipal budget.

4. The 2018/19 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

5. Cash and cash equivalents totals R1,858 million as at the end of the 2018/19 financial year.

KZN276 The New Big 5 False Bay - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash and investments available											
Cash/cash equivalents at the year end	1	–	–	1 927	7 166	966	966	966	1 858	5 003	8 680
Other current investments > 90 days		–	–	(0)	–	1	1	1	–	–	–
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		**–**	**–**	**1 927**	**7 166**	**966**	**966**	**966**	**1 858**	**5 003**	**8 680**
Application of cash and investments											
Unspent conditional transfers		–	–	4 806	4 819	3 719	3 719	3 719	–	–	–
Unspent borrowing		–	–	–	–	–	–		–	–	–
Statutory requirements	2										
Other working capital requirements	3	–	–	(9 106)	(18 383)	(27 596)	(27 596)	(27 596)	(11 546)	(14 486)	(17 506)
Other provisions					530	530	530	530	400	449	401
Long term investments committed	4	–	–	–	–	–		–	–	–	–
Reserves to be backed by cash/investments	5				5 000					4 500	7 000
Total Application of cash and investments:		**–**	**–**	**(4 300)**	**(8 034)**	**(23 347)**	**(23 347)**	**(23 347)**	**(11 146)**	**(9 537)**	**(10 105)**
Surplus(shortfall)		**–**	**–**	**6 226**	**15 200**	**24 313**	**24 313**	**24 313**	**13 004**	**14 540**	**18 785**

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 86 – Funding a Municipal Budget.

2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

All **unspent conditional transfers** including old transfers inherited from Hlabisa Municipality was not included as the municipality is hoping to get feedback from both Provincial Treasury and COGTA to write off these grants as there are no records of them from the transferring bodies further communications are in progress to ensure that these balances are removed as they continue affecting the municipalities funding position.

Other working capital has increased because the Provincial Treasury's comments has been considered and recalculated gross consumer debtors which had a positive increase in this line item and also recalculated the creditors.

Other provisions relate to leave provision as stated in municipal reserves policy which states that 75% of the leave accrued must be cash backed however employees are encouraged to take their leave days to insure that there's a decrease in this line item should it happen that the municipality pays out any leave.

Reserves of R5 million that was initially budgeted in the 2017/2018 financial year's original budgeted and that was adjusted during adjustments budget, this R5 million was for rehabilitation of the land fill site however upon thorough research the municipality will only be able to spend on this line item by 2019/20 financial year as at present the municipality is still working on fencing the dump site other developments will take place in the 2019/20 financial year.

3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

4. Non-compliance with Section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

5. Considering the requirements of Section 18 of the MFMA, it can be concluded that the adopted adjusted 2017/18 MTREF for the municipality was funded.

6. As part of the budgeting and planning guidelines that informed the compilation of the 2018/19 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

7. Other working Capital requirements budget amount of -11,542 million is based on the anticipated increase in debtors. There has been no write off as the Indigent Register has not yet been finalised and will have to consolidated. The corresponding Debt Impairment is also budgeted to increase over the years. Trade Creditors are budgeted at R12,960 million in Table SA3 for 2018/19 financial year. As indicated against payments to suppliers and employees, the municipality is in a process of ensuring full payment of creditors.

KZN276 The New Big 5 False Bay - Table A9 Asset Management										
Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Roads Infrastructure				80 231	128 518	128 518	128 518	129 866	128 888	127 440
Storm water Infrastructure										
Electrical Infrastructure										
Water Supply Infrastructure										
Sanitation Infrastructure				–	1 000	1 000	1 000	1 070	1 145	1 225
Solid Waste Infrastructure										
Rail Infrastructure										
Coastal Infrastructure										
Information and Communication Infrastructure				12 958	88 730	88 730	88 730	94 941	101 587	108 698
Infrastructure		–	–	***93 189***	***218 248***	***218 248***	***218 248***	***225 877***	***231 620***	***237 363***
Community Facilities				50 155	47 452	47 452	47 452	50 774	54 328	58 131
Sport and Recreation Facilities				9 857	25 809	25 809	25 809	27 616	29 549	31 617
Community Assets		–	–	***60 011***	***73 261***	***73 261***	***73 261***	***78 389***	***83 877***	***89 748***
Heritage Assets										
Revenue Generating										
Non-revenue Generating										
Investment properties		–	–	–	–	–	–	–	–	–
Operational Buildings				114 317	28 593	28 593	28 593	30 594	32 736	35 027
Housing										
Other Assets		–	–	***114 317***	***28 593***	***28 593***	***28 593***	***30 594***	***32 736***	***35 027***
Biological or Cultivated Assets										
Servitudes										
Licences and Rights					700	700	700	749	801	858
Intangible Assets		–	–	–	***700***	***700***	***700***	***749***	***801***	***858***
Computer Equipment										
Furniture and Office Equipment										
Machinery and Equipment										
Transport Assets										
Libraries										
Zoo's, Marine and Non-biological Animals										
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	–	–	**267 517**	**320 802**	**320 802**	**320 802**	**335 610**	**349 034**	**362 996**

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE.

3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the municipality's strategy to address the maintenance backlog.

KZN276 The New Big 5 False Bay - Table A10 Basic service delivery measurement

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Household service targets	1									
Water:										
Piped water inside dwelling		–	–	–	1 800	1 800	1 800	1 800	1 800	1 800
Piped water inside yard (but not in dwelling)		–	–	–	3 000	3 000	3 000	3 000	3 000	3 000
Using public tap (at least min.service level)	2	–	–	–	2 884	2 884	2 884	2 884	2 884	2 884
Other water supply (at least min.service level)	4	–	–	–	963	963	963	963	963	963
Minimum Service Level and Above sub-total		–	–	–	8 647	8 647	8 647	8 647	8 647	8 647
Using public tap (< min.service level)	3	–	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	4	–	–	–	–	–	–	–	–	–
No water supply		–	–	–	93	93	93	93	93	93
Below Minimum Service Level sub-total		–	–	–	93	93	93	93	93	93
Total number of households	5	–	–	–	**8 740**	**8 740**	**8 740**	**8 740**	**8 740**	**8 740**
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		–	–	–	1 800	1 800	1 800	1 800	1 800	1 800
Flush toilet (with septic tank)		–	–	–	3 000	3 000	3 000	3 000	3 000	3 000
Chemical toilet		–	–	–	900	900	900	900	900	900
Pit toilet (ventilated)		–	–	–	2 700	2 700	2 700	2 700	2 700	2 700
Other toilet provisions (> min.service level)		–	–	–	183	183	183	183	183	183
Minimum Service Level and Above sub-total		–	–	–	8 583	8 583	8 583	8 583	8 583	8 583
Bucket toilet		–	–	–	–	–	–	–	–	–
Other toilet provisions (< min.service level)		–	–	–	93	93	93	93	93	93
No toilet provisions		–	–	–	63	63	63	63	63	63
Below Minimum Service Level sub-total		–	–	–	156	156	156	156	156	156
Total number of households	5	–	–	–	**8 739**	**8 739**	**8 739**	**8 739**	**8 739**	**8 739**
Energy:										
Electricity (at least min.service level)		–	–	–	8 400	8 400	8 400	8 400	8 400	8 400
Electricity - prepaid (min.service level)		–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total		–	–	–	8 400	8 400	8 400	8 400	8 400	8 400
Electricity (< min.service level)		–	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)		–	–	–	–	–	–	–	–	–
Other energy sources		–	–	–	339	339	339	339	339	339
Below Minimum Service Level sub-total		–	–	–	339	339	339	339	339	339
Total number of households	5	–	–	–	**8 739**	**8 739**	**8 739**	**8 739**	**8 739**	**8 739**
Refuse:										
Removed at least once a week		–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total		–	–	–	–	–	–	–	–	–
Removed less frequently than once a week		–	–	–	–	–	–	–	–	–
Using communal refuse dump		–	–	–	4 497	4 497	4 497	4 497	4 497	4 497
Using own refuse dump		–	–	–	4 242	4 242	4 242	4 242	4 242	4 242
Other rubbish disposal		–	–	–	–	–	–	–	–	–
No rubbish disposal		–	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total		–	–	–	8 739	8 739	8 739	8 739	8 739	8 739
Total number of households	5	–	–	–	**8 739**	**8 739**	**8 739**	**8 739**	**8 739**	**8 739**
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		–	–	–	–	–	–	–	–	–
Sanitation (free minimum level service)		–	–	–	–	–	–	–	–	–
Electricity/other energy (50kwh per household per month)		–	–	–	–	–	–	–	–	–
Refuse (removed at least once a week)		–	–	–	–	–	–	–	–	–
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per **indigent** household per month)		–	–	–	–	–	–	–	–	–
Sanitation (free sanitation service to **indigent households**)		–	–	–	–	–	–	–	–	–
Electricity/other energy (50kwh per **indigent** household per month)		–	–	–	–	–	–	–	–	–
Refuse (removed once a week **for indigent households**)		–	–	–	–	–	–	–	–	–
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		–	–	–	–	–	–	–	–	–
Total cost of FBS provided		–	–	–	–	–	–	–	–	–
Highest level of free service provided per household										
Property rates (R value threshold)					60 000	60 000	60 000	60 000	60 000	60 000
Water (kilolitres per household per month)					4	4	4	4	4	4
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
Revenue cost of subsidised services provided (R'000)	9									
Property rates **(tariff adjustment)** (**impermissable values per section 17 of MPRA**)										
Property rates exemptions, reductions and rebates **and impermissable values in excess of section 17 of MPRA)**		–	–	618	648	648	648	693	721	750
Water **(in excess of 6 kilolitres per indigent household per month)**		–	–	–	–	–	–	–	–	–
Sanitation **(in excess of free sanitation service to indigent households)**		–	–	–	–	–	–	–	–	–
Electricity/other energy **(in excess of 50 kwh per indigent household per month)**		–	–	–	–	–	–	–	–	–
Refuse **(in excess of one removal a week for indigent households)**		–	–	–	–	–	–	–	–	–
Municipal Housing - rental rebates										
Housing - top structure subsidies	6									
Other										
Total revenue cost of subsidised services provided		–	–	618	648	648	648	693	721	750

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services. Figures reflected in Table A10 for different services were based on the information obtained from the District.

2. It is anticipated that these Free Basic Services will cost the municipality R800 thousands in 2018/19 with no anticipated increases in the outer years. This is covered by the municipality's equitable share allocation from national government.

Part 2 – **Supporting Documentation**

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- That the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2016) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor will table in Council the required IDP and budget time schedule on 31 August 2018. Key dates applicable to the process were:

- **August 2018** – Strategic planning session of the Mayor and Executive Management. Aim: to review past performance trends for dissolved municipalities of the capital and operating budgets, the economic realities and to set the prioritization criteria for the compilation of the 2019/20 MTREF;

- **November 2018** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **January 2019** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2019** – Multi-year budget proposals are submitted to the Mayor for endorsement;
- **25 January 2019** - Council considers the 2018/19 Mid-year Review and Adjustments Budget;
- **February 2019**- Recommendations of the Mayor are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2019/20 MTREF is revised accordingly;
- **31 March 2019** - Tabling in Council of the draft 2019/20 IDP and 2019/20 MTREF for public consultation;
- **April 2019** – Public consultation;
- **May 2019** - Closing date for written comments;
- **May 2019** – finalization of the 2019/20 IDP and 2019/20 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **28 May 2019** - Tabling of the 2019/20 MTREF before Council for consideration and approval.

There will be no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This plan will be **s**tarted in September 2018 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2018/19 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the first revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2018/19 MTREF, based on the approved 2018/19 MTREF, Mid-year Review and adjustments budget. The business planning

process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2018/19 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid- year and third quarter performance against the 2017/18 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme. The draft SDBIP were submitted to National and Provincial Treasuries. The Final documents will also be submitted as per the requirement of the MFMA.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2018/19 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2018/19 MTREF:

- Policy priorities and strategic objectives
- Asset maintenance
- Performance trends
- The approved 2017/18 Adjustments Budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritization process.

2.1.4 Community Consultation

The draft 2018/19 MTREF as tabled before Council on 29 March 2018 for community consultation will be published on the municipality's website, and hard copies will be made available at, municipal notice boards, Tribal Authorities and various libraries.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilized to facilitate the community consultation process from 1 April 2018

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalization of the 2018/19 MTREF. Feedback and responses to the submissions received are available on request.

2.2 Overview of alignment of annual budget with IDP

The Constitutional mandates for local government lies with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilize integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;

- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

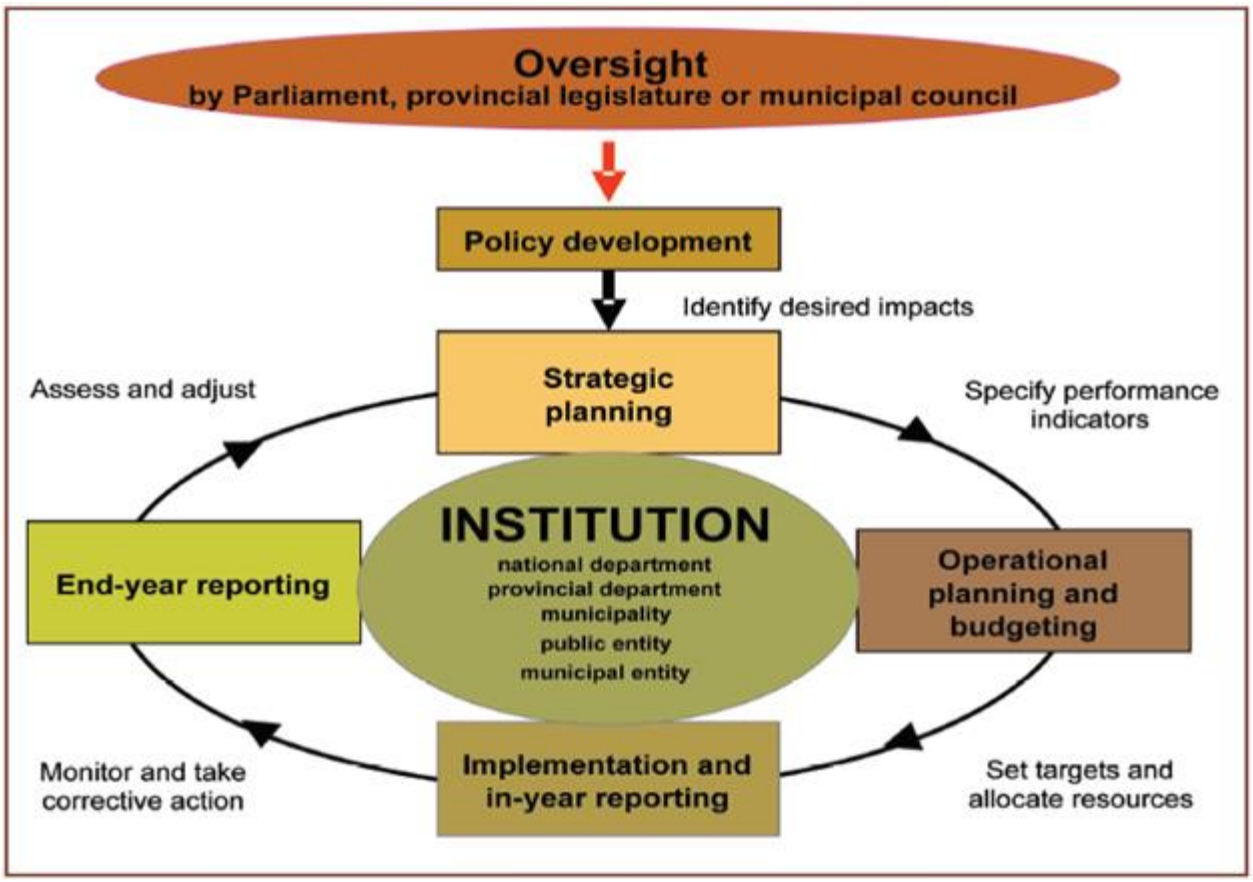

Figure 5 Planning, budgeting and reporting cycle

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

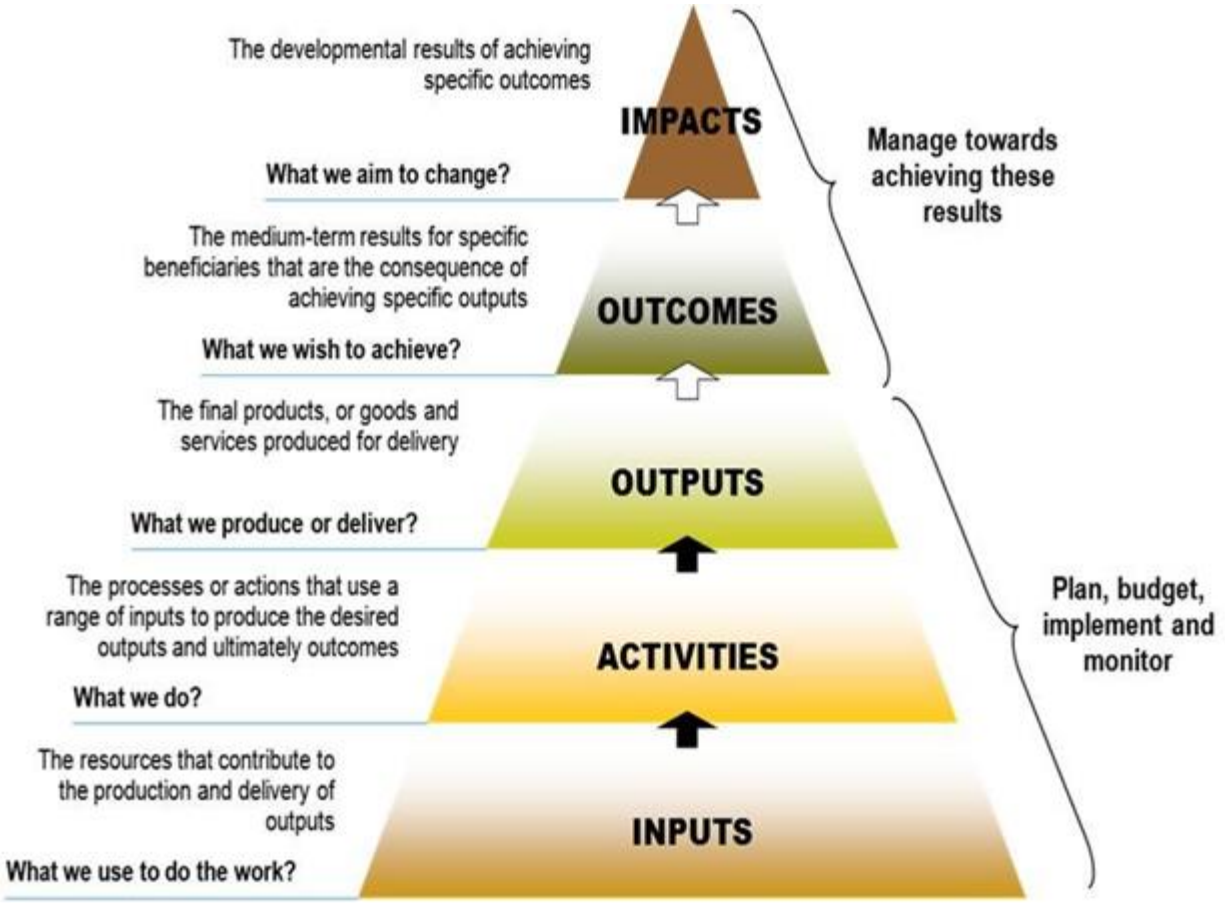
The developmental results of achieving specific outcomes
IMPACTS
What we aim to change?
The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs
OUTCOMES
What we wish to achieve?
The final products, or goods and services produced for delivery
OUTPUTS
What we produce or deliver?
The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes
ACTIVITIES
What we do?
The resources that contribute to the production and delivery of outputs
INPUTS
What we use to do the work?
Manage towards achieving these results
Plan, budget, implement and monitor

Figure 6 Definition of performance information concepts

KZN276 The New Big 5 False Bay - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		–	–	102 069	109 149	109 149	109 149	99 992	114 720	126 332
Local Government Equitable Share				66 133	84 732	84 732	84 732	94 296	105 320	114 832
Finance Management				3 651	3 800	3 800	3 800	3 870	3 000	2 500
Integrated National Electrification Programme				19 646	14 000	14 000	14 000	–	6 400	9 000
EPWP Incentive				3 386	2 051	2 051	2 051	1 826	–	–
Municipal Demacation Transition Grants				9 252	4 566	4 566	4 566	–	–	–
Other transfers/grants [insert description]										
Provincial Government:		–	–	2 114	1 974	1 974	1 974	3 376	2 777	2 937
Provincialisation of Libraries				1 756	1 598	1 598	1 598	1 676	1 760	1 848
Community Library Service Grant				358	376	376	376	950	1 017	1 089
Schemes Support Programme					–			750	–	–
Other transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total Operating Transfers and Grants	5	–	–	104 183	111 123	111 123	111 123	103 368	117 497	129 269
Capital Transfers and Grants										
National Government:		–	–	23 739	21 664	21 664	21 664	21 000	21 357	22 344
Municipal Infrastructure Grant (MIG)				23 739	21 664	21 664	21 664	21 000	21 357	22 344
Other capital transfers/grants [insert desc]										
Provincial Government:		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total Capital Transfers and Grants	5	–	–	23 739	21 664	21 664	21 664	21 000	21 357	22 344
TOTAL RECEIPTS OF TRANSFERS & GRANTS		–	–	127 922	132 787	132 787	132 787	124 368	138 854	151 613

2.4 Overview of budget policies

- **Tariff Policy** – the policy prescribes the procedures for calculating tariffs. This policy is required in terms of Section 74 of the Local Government Municipal System Act, Act 32 of 2000; Status: Adopted

- **Rates Policy** – a policy required by the Municipal Property Rates Act, Act 6 of 2004. This policy provides the framework for the determination of rates; this has been implemented with the Municipal Property Rates Act with effect from 1 July 2009. Policy has to be reviewed annually when the draft budget is submitted. Status: Adopted

- **Indigent Support Policy** – The criterion for benefits under this scheme is part of the credit control policy. An indigent is kept up to date in a form of a monthly register and a separate indigent policy has been developed in line with this. The survey forms to qualify for the indigent support must be completed annually. The Municipality may annually as part of its budgetary process, determine the municipal services and levels thereof which will be subsidized in respect of indigent customers in accordance with the national policy but subject to principles of sustainability and affordability. An indigent customer shall automatically be deregistered if an audit or verification concludes that the financial circumstances of the indigent customer have changed to the extent that he/she no longer chances the qualifications. The indigent customer may at any time request deregistration. Status: Adopted

- **Budget Policy** – The annual budget is the central financial planning document that entails all revenue and expenditure decisions. It establishes the level of services to be provided by each department. The accounting officer confirms the municipal's priorities in the formulation of the draft and the final budget document proposal. A budget, as per S71 of the MFMA, is subject to monthly control and be reported to Council with recommendations of action to be taken to achieve the budget's goals. The budget is also subject to a mid-term review which might result in a revised budget, thereby resulting in the adjustments budget, which is in terms of S28 of the MFMA. Unfinished capital project budgets shall not be carried forward to future fiscal years unless the project expenditure is committed or funded from grant funding, which will require the rolling over of those funds together with the project. This policy set out the principles which must be followed in preparing a Medium-Term Revenue and Expenditure Framework Budget. It further ensures that the budget reflects the strategic outcomes embodied in the IDP and related strategic policies. Status: Adopted

- **Asset Management Policy** – the objective of the policy is to prescribe the accounting and administrative procedures relating to property, plant and equipment; Status: Adopted

- **Accounting Policy** – the policy prescribes the basis of presentation of the Annual Financial Statements in accordance with the Generally Recognized Accounting Practices and Accounting Standards; Status: Adopted

- **Supply Chain Management Policy** – this policy is developed in terms of Section 11 of the Municipal Finance Management Act, Act 56 of 2003. The principles of this policy is to give effect to a fair, equitable, transparent, competitive and cost effective system for the procuring of goods and services, disposing of goods and selecting of contractors in the provision of municipal services Status: Adopted

- **Subsistence and Travel Policy** – this policy regulates the reimbursement of travelling and subsistence cost to officials and councillors attending official business Status: Adopted

- **Credit Control and Debt Collection Policy** – this policy provides for credit and debt collection procedures and mechanisms to ensure that all consumers pay for the services that are supplied. Status: Adopted

- **Investment Policy** – this policy was compiled in accordance with the Municipal Investment Regulation R308 and ensures that cash resources are managed in the most efficient and effective manner possible Status: Adopted

- **Short-term Insurance Polic**y – the objective of the policy is to ensure the safeguarding of Council's assets Status: Adopted

- **Principles and Policy on Borrowings**- The purpose of this policy is to ensure that borrowing forms part of the financial management procedures of the Municipality and to ensure that prudent borrowing procedures are applied consistently. Status: Adopted

- **Reserve's Policy –** The funding and reserves policy aims to ensure that the Municipality has sufficient and cost-effective funding in order to achieve its objectives through the implementation of its operating and capital budgets**.**

2.5 Overview of budget assumptions

2.5.1 External factors

Domestically, The country is facing downturn economically and effective measures to boost the economy are required. Hopefully government intervention will assist the economy and avoid the possible recession that can be headed should no improvement is done economically. Fortunately enough Standard & Poor (S & P) review done Friday, 3rd of June 2018 favoured the SA and work done to turnaround the economy is promising.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are four key factors that have been taken into consideration in the compilation of the 2018/19 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in the cost of remuneration.

2.5.3 Collection rate for revenue services

Tariffs and rating increases will increase at a rate slightly higher that CPI over the long term but will have to matched to ensure that communities are billed and charged equally. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (70 per cent) of annual billings. Cash flow is assumed to be 70 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.4 Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing "households" is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the "poor household" limits consumption to the level of free basic services.

2.5.5 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.6 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 100 per cent is achieved on operating expenditure and 100 per cent is applied for the capital budget for the 2018/19 MTREF of which performance has been factored into the Cash flow budget.

2.6 Councillor and employee benefits

KZN276 The New Big 5 False Bay - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages				3 939	4 939	4 939	4 939	5 284	5 655	6 051
Pension and UIF Contributions						–	–			
Medical Aid Contributions						–	–			
Motor Vehicle Allowance				1 254	1 454	1 454	1 454	1 556	1 665	1 781
Cellphone Allowance				498	478	478	478	512	548	586
Housing Allowances						–	–			
Other benefits and allowances				75	55	55	55	58	62	67
Sub Total - Councillors		–	–	**5 766**	**6 926**	**6 926**	**6 926**	**7 411**	**7 930**	**8 486**
% increase	4		–	**–**	**20.1%**	**–**	**–**	**7.0%**	**7.0%**	**7.0%**
Senior Managers of the Municipality	2									
Basic Salaries and Wages				3 203	3 703	2 427	2 427	2 597	2 779	2 973
Pension and UIF Contributions				9	9	176	176	188	201	215
Medical Aid Contributions				72	72	0	0	0	0	0
Overtime						–	–	–	–	–
Performance Bonus						–	–	–	–	–
Motor Vehicle Allowance	3			595	795	675	675	722	773	827
Cellphone Allowance	3			83	83	83	83	88	95	101
Housing Allowances	3					372	372	399	426	456
Other benefits and allowances	3			214	214	18	18	19	21	22
Payments in lieu of leave				48	48	48	48	52	55	59
Long service awards						–	–			
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Municipality		–	–	**4 223**	**4 923**	**3 800**	**3 800**	**4 066**	**4 350**	**4 655**
% increase	4		–	**–**	**16.6%**	**(22.8%)**	**–**	**7.0%**	**7.0%**	**7.0%**
Other Municipal Staff										
Basic Salaries and Wages				36 730	37 730	39 915	39 915	41 692	45 577	49 735
Pension and UIF Contributions				5 078	5 878	6 621	6 621	7 645	7 632	7 618
Medical Aid Contributions				2 375	2 425	2 867	2 867	2 685	2 873	3 074
Overtime						508	508	509	545	583
Performance Bonus				1 965	3 460	3 411	3 411	3 920	4 194	4 488
Motor Vehicle Allowance	3			3 117	3 405	4 263	4 263	2 890	2 839	2 785
Cellphone Allowance	3			105	22	17	17	5	(2)	(8)
Housing Allowances	3			44	44	67	67	30	3	(27)
Other benefits and allowances	3			1 517	1 076	1 340	1 340	1 138	1 136	1 135
Payments in lieu of leave				659	659	659	659	648	645	641
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Other Municipal Staff		–	–	**51 590**	**54 699**	**59 667**	**59 667**	**61 161**	**65 442**	**70 022**
% increase	4		–	**–**	**6.0%**	**9.1%**	**–**	**2.5%**	**7.0%**	**7.0%**
Total Parent Municipality		–	–	**61 579**	**66 548**	**70 393**	**70 393**	**72 638**	**77 722**	**83 163**
			–	**–**	**8.1%**	**5.8%**	**–**	**3.2%**	**7.0%**	**7.0%**

2.7 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In-year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the municipality's website.

2. Internship programme

The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA taken from dissolving municipalities.

4. Audit Committee

The Municipality will establish its Audit Committee and ensure it is fully functional.

5. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2018/19 MTREF in May 2018 directly aligned.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training

The MFMA training module in electronic format is presented at the municipality's internal centre and training is ongoing.

8. Policies

Budget related polices has been reviewed and tabled to council for approval.

2.8 Municipal manager's quality certificate

I Dr Vusumuzi J. Mthembu Municipal Manager of the Big 5 Hlabisa Municipality, hereby certify that the annual draft budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Name:……

Municipal Manager of Big 5 Hlabisa Municipality (KZN276)

Signature

Date ……..